Kagiso Islamic Equity Fund

as at 30 September 2015

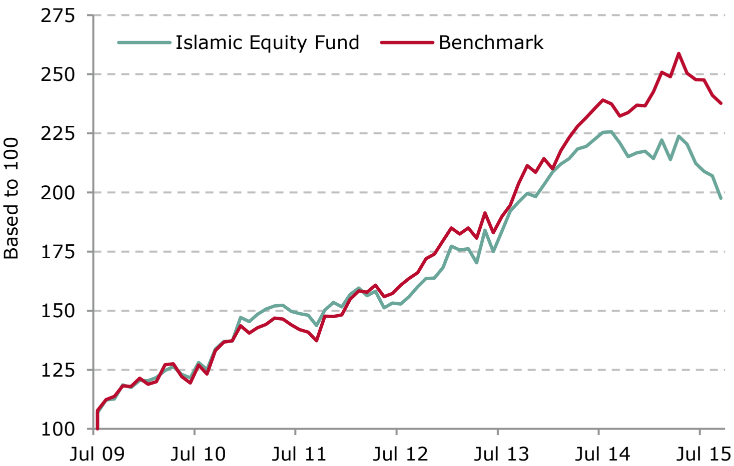
KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	-10.6%	2.3%	-12.9%	4.6%	-3.7%
3 years	7.3%	12.7%	-5.4%	8.1%	-4.9%
5 years	8.1%	12.3%	-4.2%	8.1%	-4.9%
Since inception	11.5%	14.9%	-3.4%	8.1%	-4.9%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception



Risk statistics

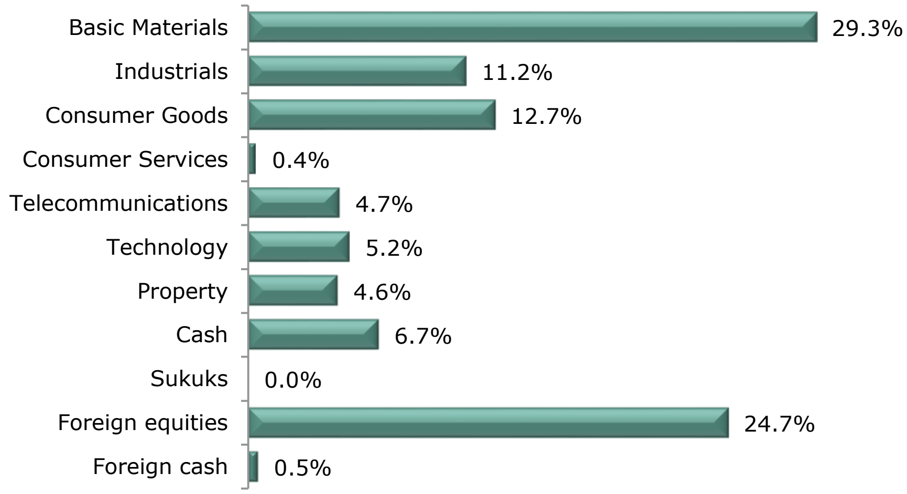
	Fund	Benchmark
Annualised deviation	10.0%	9.8%
Sharpe ratio	0.5	0.9
Maximum gain#	18.6%	18.7%
Maximum drawdown#	-12.5%	-8.2%
% Positive months	64.0%	62.7%

Consecutive months of change in the same direction

Top 10 holdings

	% of fund
MTN	4.7
Mondi	4.5
Sasol	4.2
Tongaat Hulett	4.1
Palladium ETFs	3.9
Clover	3.5
Datatec	3.3
Adcorp	3.3
Westrock	3.3
AECI	3.2
Total	38.0

Effective asset allocation exposure



Portfolio Manager	Abdulazeez Davids
Fund category	South African - Equity - General
Fund objective	A Sharia-compliant fund that aims to provide steady capital growth and a total portfolio return that is better than the average general equity fund.
Benchmark	South African -Equity - General funds mean
Launch date	13 July 2009

Risk profile

Fund size	R666.1 million	
NAV	187.51 cents	
TER[2]	1.33%	
Distributions	30 June 2015	1.03 cpu
	31 December 2014	0.69 cpu
Fees (excl. VAT)	Initial fee:	0.00%
	Financial adviser fee:	max 3.00%
	Ongoing advice fee:	max 1.00% pa
	Management fee:	1.25% pa

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Performance figures are quoted after the deduction of all costs incurred within the fund. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All performances are annualised (ie the average annual return over the given time period).
[2] The Total Expense Ratio (TER) is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2015. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TERs.

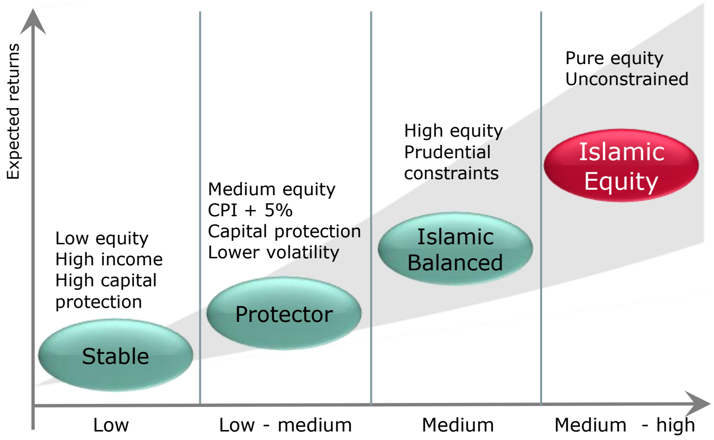
Kagiso Islamic Equity Fund

The Kagiso Islamic Equity Fund will generally be fully invested in a diversified portfolio of domestic and international equity securities, subject to the statutory investment limitations.

The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). The fund will not invest in any interest-bearing instruments.

This fund is suitable for Muslim investors seeking a Sharia-compliant portfolio of South African equities, who are in their wealth accumulation phase. Investors would be able to withstand short-term market fluctuations in pursuit of maximum capital growth over the long term.

Risk vs reward



Portfolio Manager

Abdulazeez Davids
BCom, CFA

Abdul joined Kagiso in 2008 and is Head of Research. Previously he was with Allan Gray as an investment analyst and portfolio manager.

Sharia advisory and supervisory board members

Sheigh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Our investment philosophy

At Kagiso Asset Management, we make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

Opportunities arise when market prices deviate from intrinsic value

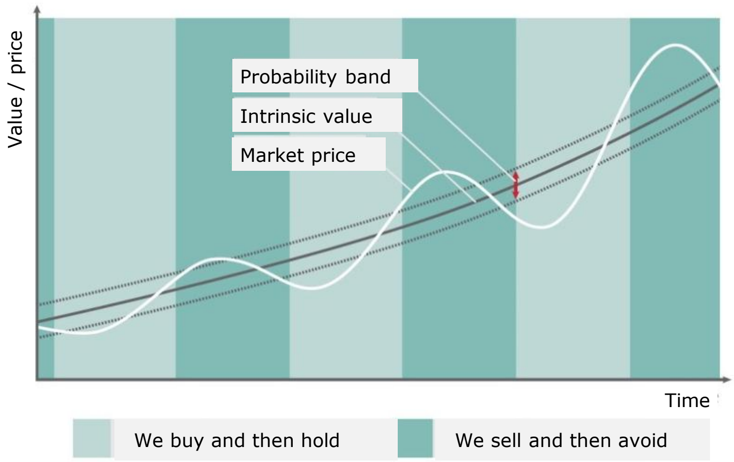
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, often fuelled by an excessive focus on near-term data and news flow.

Our aim is to identify and exploit mispricings in the markets. We therefore buy investments at prices well below our estimation of their intrinsic value and hold them, while they deliver strong cash returns and until they can be sold above this value. Once sold, we avoid such overvalued investments for as long as the market price is above the intrinsic value.

The future is never certain

We recognise that there is considerable danger in operating with the comfort of a false sense of certainty and the accompanying behavioural reinforcement cycles that lead to a distorted evaluation of new information. As a result, we understand that despite our best efforts, we cannot possibly know all the facts.

This drives us to think more deeply, to work harder and to be more alert. We therefore view the future in terms of probabilities, we explore alternative scenarios, diversify our positions, hedge risk and seek out potential asymmetries.



Minimum investment	Lump sum: R5 000; Debit order: R500
Trustee	Melinda Mostert Head: Standard Bank Trustee Services
Fund registration no	ZAE000150843

Pricing: All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day to ensure same day value.

Client service 0800 864 418 Fax 088 021 671 3112 Email clientservice@kagisoam.com Website www.kagisoam.com

The fund returned -7.0% for the quarter and -10.6% for the 12 months to end September 2015.

Economic and market overview

The Federal Reserve (Fed) held interest rates flat at its September Federal Open Market Committee (FOMC) meeting, citing "recent global economic and financial developments" that could restrain economic activity and put further downward pressure on inflation. The clear message of the Fed's inaction is that both the initiation and pace of monetary tightening will take global growth and financial market stability into account, both of which the Fed has little power to influence and probably less confidence to forecast.

Emerging markets in general continue to suffer from three related headwinds: sluggish global growth, a rising US dollar and falling commodity prices. The cumulative effect of this triumvirate has prompted slow emerging market growth, a disappearance of earnings growth (in the aggregate), and complications arising from currency weakness.

Concerns about a slowing China have intensified fears of either an intra-Asian currency war, or a further breakdown in Chinese growth that exacerbates the three headwinds that the emerging markets have already been navigating.

The combination of relatively high debt levels, slowing growth (in both nominal and real terms), and an intentional rotation in the mix of domestic growth (away from investment and manufacturing, toward consumption and services) has intensified the risks of a hard landing in China. It has also undoubtedly contributed to the pressure on industrial commodity prices, thus extending concerns about the commodity-dependent economies within emerging markets.

The FTSE/JSE ALSI index declined by 2.1% over the quarter, led by SA Resources (-17.9%) as commodity prices remained under pressure, with Industrial Metals (-39.8%) and Platinum (-36.7%) among the worst performing sectors. SA sector winners included the rand hedges led by Beverages (+25.1%), Tobacco (+17.4%), Household Goods (+10.3%), Personal Goods (+9.9%) and Forestry and Paper (+8.3%) as the rand fell -12.1% over the quarter against the USD.

Mobile Telecoms (-17.8%) struggled, given increasing investor concerns of a dividend cut, as oil prices slid further, jeopardising policy direction in Nigeria. The Specialty Chemicals sector was also down (-14.0%) over the quarter, given lower oil prices. Pharmaceuticals also struggled as Aspen's (-17.7%) primary currency exposures were negatively affected by a strengthening USD.

The domestic equity market remains very expensive with investors continuing to flee the resources sector and the concomitant waterbed effect continuing to benefit industrials and financials. Despite a weak base following the protracted 5 months strike in the platinum industry in 2014, mining production growth in 2015 has remained lacklustre. The benefit of the weaker currency has also been more than off-set by weaker commodity prices in $ terms, with most commodities showing negative year to date returns in Rand terms.

Government's visa bungle has already started to impact on the tourism sector and, with the manufacturing sector firmly in the doldrums, SA will have to rely on the mining sector to benefit from the weaker currency and pull the economy out of recessionary conditions. However, weak external demand (notably from China), coupled with labour issues, continues to impact mining production. In short, the outlook for the SA economy remains bleak with no obvious levers to engineer a turnaround.

Fund performance and positioning

Weak resources and mobile telecoms were the key detracting sectors this quarter. Lonmin, AECI and MTN were the worst absolute performers. Mondi was again a key absolute contributor, along with the palladium ETFs. In the wake of the VW emissions scandal, we saw stronger palladium pricing towards quarter end, reflective perhaps of consumers' (and regulators') short term preference for gasoline engines, at the expense of diesel ones.

We remain positioned with a contrarian orientation, aiming to exploit the extreme valuation differentials on offer as a result of global monetary authorities' unconventional interventions in capital markets.

Our view is that extremely low bond yields worldwide are causing global investors to over-price companies with stable cashflows (perceived as bond substitutes) and under-price companies with naturally variable or cyclical cashflows, when these cashflows are low.

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Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	-8.9%
MSCI Emerging Market Equity (US Dollar return)	-18.5%
FTSE Sharia All-World Index (US Dollar return)	-10.9%
Dow Jones Islamic Market World Index (US Dollar return)	-8.8%
FTSE/JSE All Share Index	-2.1%
FTSE/JSE Resources Index	-16.7%
FTSE/JSE Industrials Index	1.6%
Commodities and currency	Quarterly change
Platinum ($/oz)	-15.9%
Gold ($/oz)	-4.9%
Brent Crude ($/barrel)	-23.4%
Rand/US Dollar (USD)	13.6%

Continued -

We also hold a relatively high midcap exposure in undervalued industrial companies. These seem to have escaped the strong rerating that has occurred in many of the larger industrial SA companies with strong global investor shareholdings. This is possibly due to their size, causing them not to make the radar screens of large active global investors and the benchmarks of global passive investors. In general we are wary of SA economic exposure, given the very weak outlook, especially in the consumer-facing companies.

Platinum group metals (PGM) prices have significantly surprised us over the last quarter, falling substantially and placing the bulk of SA miners in a negative cashflow situation. This particularly threatens miners, such as Lonmin and Aquarius, which have no alternative sources of cash from low cost operations and which do not have ready access to financing at this time. Consolidation within the industry, project deferrals and capacity closures have begun as a result.

We continue to find significant value in the platinum miners as their share prices reflect a lower trajectory of spot metal prices than we believe is realistic, given the prospective fundamental market deficits that we expect. Our analysis suggests that PGM demand will continue to grow from autocatalyst fabrication, jewellery (especially in China and India) and other industrial applications. Recycling supply should peak in the next 3 years and mining supply, which is heavily concentrated in SA, remains extremely constrained by underinvestment by mining companies who need to preserve cash at a time when large parts of the industry are currently loss making.

The fund retains a high allocation to foreign equities and listed property stocks, where we find opportunity in certain large technology stocks, healthcare companies, property and specific listed property exposures.

Portfolio Manager
Abdulazeez Davids